

Message Text

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ACTION IO-13

INFO OCT-01 EUR-12 NEA-10 ISO-00 L-03 FRB-03 OMB-01

ITC-01 SP-02 USIA-06 AGRE-00 AID-05 CIAE-00

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 2898

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E.O. 11652: N/A

TAGS: ETRD, UNCTAD, IN

SUBJECT: INDIAN GOALS FOR UNCTAD COMMON FUND: THE SECOND WINDOW

1. ECON/COUNSELOR AND EMBOFF HELD GENERAL DISCUSSION OF GOI INTERESTS IN COMMODITY TRADE WITH MINISTER OF COMMERCE ECONOMIC ADVISOR SEN GUPTA AND JOINT SECRETARY S.P. SHUKLA MAY 21. SHUKLA IS GOI OFFICIAL RESPONSIBLE FOR UNCTAD AFFAIRS AND WAS WORKING HEAD OF GOI DELEGATION TO COMMON FUND NEGOTIATING CONFERENCE LAST MONTH.

2. PRINCIPAL FOCUS OF CONVERSATION WAS ON COMMON FUND'S "SECOND WINDOW" WHICH SHUKLA IDENTIFIED AS THE "OTHER PURPOSES" THAT FUND COULD BE USED FOR IN ADDITION TO FINANCING OF BUFFER STOCKS. SHUKLA RECALLED THAT GOI DELEGATION TO REGIONAL G-77 MEETING IN JAKARTA IN EARLY 1976 HAD INTRODUCED THIS CONCEPT INTO COMMON FUND DISCUSSIONS. IN SHUKLA'S VIEWS, MOST SUBSTANTIVE DISCUSSION AT GENEVA WAS ON THIS ASPECT OF COMMON FUND PROPOSAL. HE SAW TWO RESULTS FROM GENEVA DELIBERATIONS. FIRST, GROUP B COUNTRIES WERE NOW AT LEAST WILLING TO CONSIDER DISCUSSING THIS ASPECT WHEREAS ORIGINALLY THEY HAD BEEN NO PURPOSE TO IT.

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SECOND, THE GROUP OF 77 AS A WHOLE HAD COME TO A MUCH GREATER AWARENESS OF THE IMPORTANCE OF THE "SECOND WINDOW" TO THEIR TRADING INTERESTS. HE ASSERTED THAT THE G-77 WOULD NOT NOW ACCEPT A COMMON FUND THAT DID NOT INCLUDE A "SECOND WINDOW" FEATURE.

2. SHUKLA REVIEWED THE TEN CORE COMMODITIES AND THE EIGHT OTHER COMMODITIES IN THE TOTAL UNCTAD PROGRAM AND CONCLUDED THAT THERE

WAS A BALANCE BETWEEN INDIA'S INTEREST AS AN EXPORTER (E.G. JUTE, TEA, COFFEE) AND AS AN IMPORTER (E.G. COPPER, TIN, COTTON). SEN GUPTA INSISTED THAT PRICE STABILIZATION WOULD BE NENEFICIAL TO INDIA EVEN WITH REGARD TO PRODUCTS WHICH INDIA IMPORTS. SHUKLA WAS CLEARLY LESS COMMITTED TO THIS POINT OF VIEW. EARLY IN CONVERSATION, BEFORE SEN GUPTA CAME INTO THE ROOM, HE HAD SAID THAT IF COMMON FUND WERE NEGOTIATED WITHOUT THE "SECOND WINDOW", INDIA WOULD HAVE TO RECONSIDER ITS POSITION. SEN GUPTA HIMSELF REFLECTED THIS EMPHASIS WHEN HE JOKINGLY SAID TO SHUKLA THAT LABELING THE OTHER MEASURES AS "SECOND WINDOW" RATHER THAN "FIRST WINDOW" MEANT THAT SHUKLA HAD FAILED IN GENEVA.

3. BOTH OFFICIALS WERE COMMITTED TO THE CONCEPT OF ESTA-BLISHING THE COMMON FUND BEFORE THE CONCLUSION OF INDIVIDUAL COMMO-DITY NEGOTIATIONS. THEY ARGUED THAT EXISTENCE OF THE FUND WOULD FACILITATE REACHING AGREEMENT ON INDIVIDUAL COMMODITIES, POINTING TO JUTE AS A CASE WHERE NEGOTIATIONS HAD BEEN BOOSTED BY THE PROS-PECT OF FUNDING FROM THE COMMUN FUND.

4. ROLE OF CIEC: SHUKLA FELT THAT THERE WAS LITTLE TO TALK ABOUT THE COMMON FUND AT THE RESUMED PARIS CONFERENCE. HE THOUGHT IT WOULD BE A WELCOME DEVELOPMENT WERE THE CIEC TO PRODUCE A STATEMENT OF POLITICAL WILL TO GIVE A BOOST TO THE NEGOTIATIONS TO BE RESUMED LATER IN THE YEAR, BUT CLEARLY SAW NO SCOPE FOR A MAJOR EXCHANGE IN PARIS.

5. COMMENT: WE SEE AT WORK HERE THE CONTENDING INDIAN POLICIES OF COMMITMENT TO G-77 UNITY AND THE PURSUIT OF THEIR OWN ECONOMIC SELF-INTEREST. FROM THE EARLY STAGES OF THE INTEGRATED PROGRAM. LIMITED OFFICIAL USE

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INDIAN OFFICIALS HAVE RECOGNIZED THAT BUFFERSTOCKING WAS NOT A SIGNIFICANT TOOL FOR MEETING INDIA'S TRADING INTEREST. THEY HAVE BEEN WORKING WITHIN THE GROUP OF 77 TO PUSH THE COMMON FUND AWAY FROM ITS EXCLUSIVE BUFFER STOCKING PURPOSE TO A STRONG DEVELOPMENT FINANCE ROLE. SHUKLA CLEARLY WAS PLEASED AT HIS GOVT'S SUCCESS IN THIS EFFORT SO FAR.

6. SHUKLA REFLECTED NO BITTERNESS AT THE RESULTS OF THE GENEVA MEETING, PERHAPS BECAUSE HE HAD BEEN EXPECTING LITTLE BEFORE HE LEFT. HE SAID THE GOAL OF THE COMMON FUND AS A CENTRAL SOURCE OF FNANCING WAS UNALTERABLE FOR INDIA AND THE GROUP OF 77, BUT THE WORKINGS OF THE FUND WWERE OPEN TO NEGOTIATION. SEN GUPTA IMPLIED SOME WILLINGNESS TO CONSIDER ALTERNATIVE INSTITUTIONAL FRAMEWORKS. BOTH OFFICIALS REITERATED INDIA'S COMMITMENT TO PUR-SUING THE NEGOTIATIONS. SCHNEIDER

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